Special Forces Pension Plan

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31, 1989

Alberta
TREASURY

Special Forces Pension Plan

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91-00237/

Alberta

PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-8809

February 1990

The Honourable Dr. David Carter
Speaker of the Assembly

Sir:

Pursuant to section 4 of the Special Forces Pension Plan Act, being Chapter S-21.1 of the 1985 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Special Forces Pension Plan for the fiscal year ended March 31, 1989.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

Alberta
TREASURY

442 Terrace Building, 9515 - 107 Street, Edmonton, Alberta, Canada T5K 2C3 403/427-4106

February 1990

The Honourable Dick Johnston
Provincial Treasurer

Sir:

In accordance with section 4 of the Special Forces Pension Plan Act, I have the honour to transmit herewith the annual report on the operation of the Special Forces Pension Plan for the fiscal year ended March 31, 1989, to be laid by you before the Legislative Assembly.

The annual report includes a statement of the most recent estimate of the actuarial liabilities of the Plan as required by section 4(2) of the Act.

Respectfully submitted,

A. D. O'Brien
Deputy Provincial Treasurer
Management and Control

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Introduction

The Special Forces Pension Plan was established effective April 1, 1979, by the Special Forces Pension Act to provide a contributory pension scheme for police officers employed by Local Authorities in Alberta.

The Special Forces Pension Act was repealed on November 1, 1985, and replaced by the Special Forces Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Special Forces Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Special Forces Pension Plan is a contributory defined benefit plan under which combined employee and employer contributions are required to equal 14 per cent of salary. The split in contribution rates between employers and participants is not prescribed by legislation, but is to be negotiated between the Local Authority and the Police Association. The net amount of pension contributions less payments is deposited to or withdrawn from the Pension Fund pursuant to the Pension Fund Act. The income of the Pension Fund accrues to and forms part of the Fund. The Government of Alberta guarantees the payment of all benefits under the Special Forces Pension Plan.

Those members who retire with at least five years of pensionable service are entitled to a pension. There is no mandatory retirement age. Pension benefits are based on two per cent of the highest average pensionable earnings for five consecutive years, times the number of years of pensionable service. If the member has a spouse and has been married to, or lived with, that spouse for at least five years, unless a waiver is signed by the spouse, the member must choose a normal pension. The normal form of a pension is for the life of the member with a five-year guarantee period. On the death of a pensioner 65 per cent of the pension continues to be paid to an eligible spouse for life or until remarriage. On remarriage, as full settlement, the surviving spouse is paid a lump sum payment equal to 24 monthly pension payments. Single members may elect a single life pension which ceases at death regardless of the number of payments made. Alternatively they may choose a 10, 15 or 20 year guarantee period. They may also elect a joint life pension based on their life and that of a nominee.

Normal pensionable age is 60. Members may retire at any time after age 55 if five years of pensionable service have been accumulated, or at any age if at least 25 years of pensionable service have been accrued. The Plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to 65 per cent of the normal pension the member would have been entitled to and in certain cases takes into account the pensionable service that would have accumulated had the member lived to age 60. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Special Forces Pension Plan is administered by Alberta Treasury, Payroll and Pensions.

During the year under review, a number of systems and procedural enhancements were implemented. Improvements made to the administration of prior service now enable employers to provide estimated costs of eligible service directly to members. Benefits realized by this prior service refinement include improved timeliness and accuracy of information for both members and employers.

A review of the participant annual statement production and distribution resulted in additional and improved summary reporting. The format and content of summarized annual statement data was revised to provide employers with information concerning members approaching 35 years of service. These improvements will assist employers in carrying out their responsibilities.

During the year a review of the documentation associated with the processing of retirements, terminations, and annual reporting information was undertaken. Changes to the structure and content of forms led to a reduction in the amount and frequency of data required to be submitted by employers to the Pension Administration.

Procedures were changed so that all personal payments made by members are submitted via the relevant employer. This has improved the quality of the pension data base by ensuring that employers are aware of all transactions in respect of their members.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1988, estimated the accrued liability of the Special Forces Pension Plan to be $534,187,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 26.5 per cent.

Participation

At March 31, 1989, there were nine employers participating in the Special Forces Pension Plan, 2,531 active contributors and 56 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the participating employers and the number of participants is provided in the section on Contributions.

Book Entry Transfers

The Special Forces Pension Plan has an agreement with the Local Authorities Pension Plan under which pensionable service and contributions accumulated may be transferred between the two plans.

During the year the sum of $113,354 was transferred from the Local Authorities Plan to the Special Forces Plan. The sum of $33,070 was transferred from the Special Forces Plan to the Local Authorities Plan. These book entry transfers are not reflected in the Statement of Receipts and Payments.

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1989:

	Participants At March 31, 1989	Contributions Received		
		Employee	Employer	Total
		$	$	$
City of Calgary	1,206	3,417,156	3,802,965	7,220,121
City of Camrose	22	57,827	62,670	120,497
City of Edmonton	1,097	3,198,985	3,614,825	6,813,810
City of Lethbridge	103	252,621	303,287	555,908
City of Medicine Hat	70	205,950	236,921	442,871
Town of Coaldale	7	15,091	17,664	32,755
Town of Lacombe	9	23,370	22,364	45,734
Town of Redcliff	8	22,996	25,769	48,765
Town of Taber	9	18,779	19,887	38,666
Accounts Held on Deposit	56	-	-	-
	2,587	7,212,775	8,106,352	15,319,127

Refunds

The following amounts of member contributions and interest were refunded to members terminating employment:

	Number	Amount
		$
Cash	22	263,736
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	21	405,736
	43	669,472

In addition, 6 refunds of excess contributions totalling $150 were made to members and employers.

Death in Service Benefits

There were no spousal benefits granted during the year as a result of deaths in service.

Information and Counselling Services

A regular information bulletin, Pensions News, was prepared for employers. The Alberta Retired Public Employees Society was again assisted by Payroll and Pensions with the publication of their quarterly newspaper, Postscript.

Annual statements containing information on pensionable service, contributions and prior service purchased were produced and forwarded to employers for distribution to all active participants in the plan.

Pension Benefits

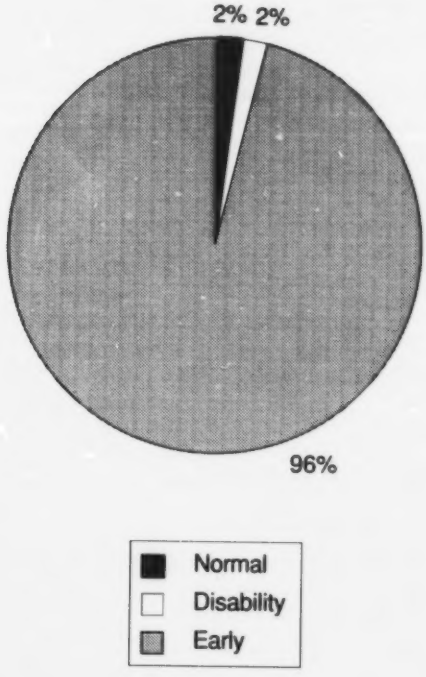
During the year ended March 31, 1989, pension benefits paid totalled $9,492,881, an increase of $2,031,746 (27.2 per cent) over the previous year. A total of 66 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

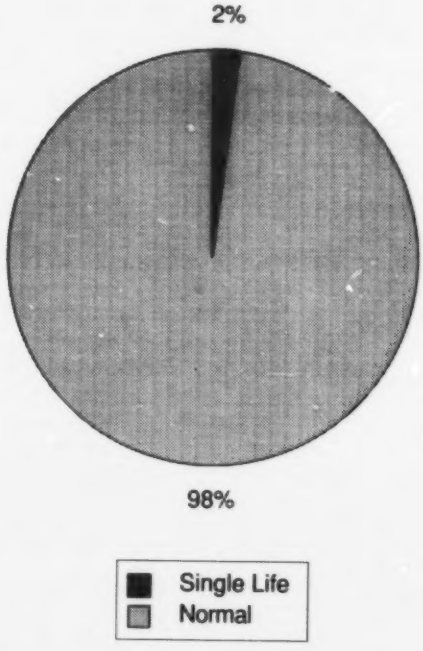
	1989		1988	
Normal Retirement	1	(1)	-	
Early Retirement	64	(57)	45	(42)
Partial or Total Disability	1	(1)	5	(1)
Death-in-Service (Spousal)	-		-	
	66	(59)	50	(43)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the above retirements, one was an early unreduced non-co-ordinated pension in respect of a deferred retirement from a previous year.

The charts below illustrate the relative proportions of retirements during the year by type of pension and option chosen:



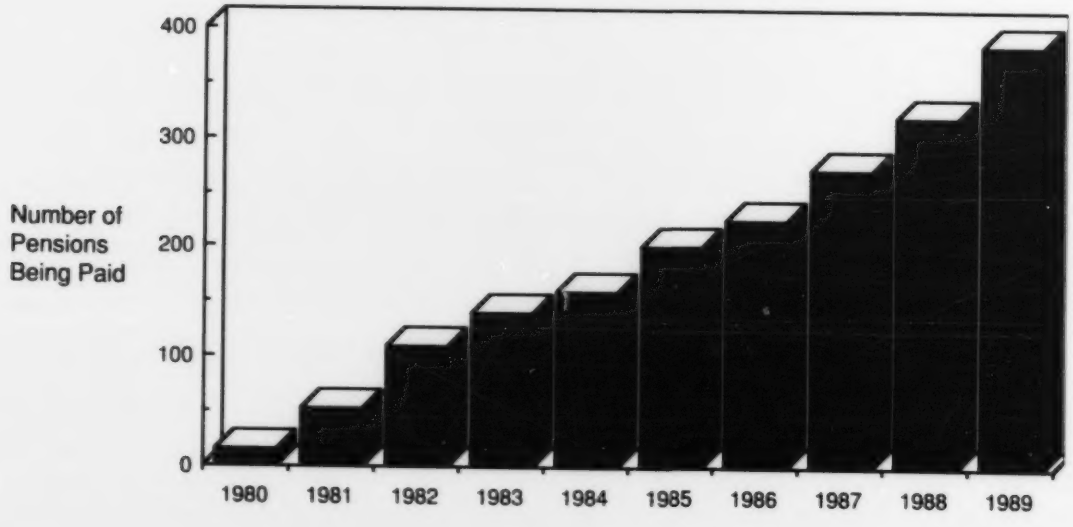


Pension options selected by members were as follows:

Member Pensions	At March 31, 1988	New Retire-ments	Benefi-ciaries	Deaths	At March 31, 1989
Normal (life with 65% survivor pension)	297	65	1	(2)	361
Single Life	2	1			3
Guaranteed 10 years	1				1
Guaranteed 15 years	2				2
Guaranteed 20 years	4				4
Joint Life non-reduced	1				1
Spousal Pensions					
Guaranteed 5 years	16	—	—	—	16
Total Pensions	323	66	1	(2)	388
Pensions co-ordinated with CPP and/or OAS	284	59	1	(2)	342

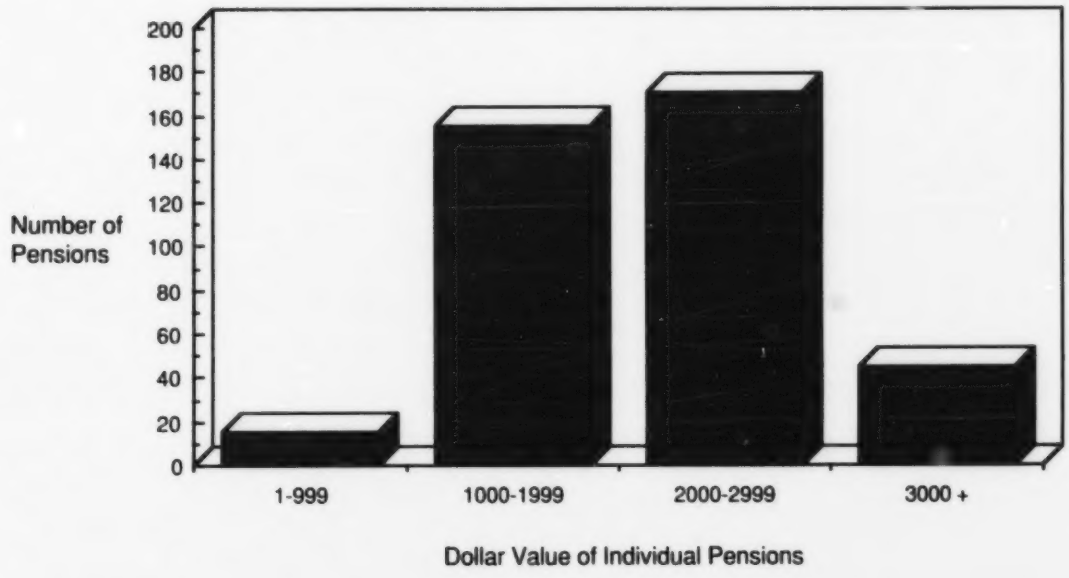
Note: The normal member pension is guaranteed to be paid for a period of at least five years and in the event of the retiree's death, pays the eligible spouse a spousal pension equalling 65 per cent of the deceased retiree's pension for life or until remarriage, as explained in the section on Plan Overview.

The number of pensions being paid at the end of each of the last ten years is presented in the graph below:



The schedule and graph below categorize the pensions in effect at March 31, 1989, by dollar value of monthly pension:

Dollar Value Per Month	Member Pensions	Spousal Pensions	Total
$ 1 - 999	12	1	13
1,000 - 1,999	143	13	156
2,000 - 2,999	170	2	172
3,000 and over	47	-	47
	372	16	388



Effective January 1, 1989, a cost of living adjustment of 2.0 per cent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the calendar year 1988.

STATEMENT OF RECEIPTS AND PAYMENTS
YEAR ENDED MARCH 31, 1989

	1989	1988
	$	$
RECEIPTS		
Employee contributions	7,212,775	7,041,383
Employer contributions	8,106,352	8,010,106
Interest on overdue receivables	133	143
Total receipts	15,319,260	15,051,632
PAYMENTS		
BENEFITS		
Pensions to retired members	9,234,371	7,185,755
Pensions to surviving spouses	258,510	252,649
Lump sums to beneficiaries of deceased employees	-	22,731
	9,492,881	7,461,135
WITHDRAWALS		
Refunds of contributions and interest to terminated members	669,472	655,159
Refunds of excess contributions	150	7,625
	669,622	662,784
Total payments	10,162,503	8,123,919
Excess of receipts over payments	5,156,757	6,927,713

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta Government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years. In addition, a graph is presented to illustrate a ten year trend.

(000's)

Fiscal Year	RECEIPTS			PAYMENTS			Excess of Receipts Over Payments
	Employee	Employer	Total	Benefits	With-drawals	Total	
	$	$	$	$	$	$	$
1988/89	7,213	8,106	15,319	9,493	669	10,162	5,157
1987/88	7,042	8,010	15,052	7,461	663	8,124	6,928
1986/87	6,915	7,733	14,648	5,988	388	6,376	8,272
1985/86	6,590	7,357	13,947	4,539	345	4,884	9,063
1984/85	6,733	7,584	14,317	3,560	219	3,779	10,538